

# CC ANALYSIS OF ORC INTERNATIONAL SURVEY OF INDEPENDENT BOOKSELLERS

*(Note: Woolworth/Bertram were invited to provide their assessment of the survey for publication on the CC website)*

## Introduction

1. The Woolworths Group/Bertram Group merger inquiry commissioned market research agency ORC International to conduct a survey within the independent retail bookseller sector. This was one of a range of information-gathering activities undertaken as part of the inquiry. The overall aim of the survey was to gather information on the behaviours and perceptions of independent book retailers with regard to their purchase of books.
2. The survey fieldwork was carried out during May 2007. Invitations to participate were sent to a structured sample of 2,000 retailers; 275 completed paper questionnaires and online responses were received.
3. This analysis of the survey responses was undertaken by Competition Commission (CC) staff.

## Executive summary

4. The 275 responses were broadly representative of the UK book retailing sector by retailer size and region, though fewer responses were received from customers of wholesale supplier Gardners than might have been expected from its market share.
5. About 25 per cent of the responding retailers purchase almost all of their books from a single supplier ('single-source'). Those that single-source from a wholesaler are significantly smaller than those that 'multi-source' from a wholesaler and other, secondary, sources.
6. The survey indicates that, from the £8 million expenditure by multi-sourcing respondents who use Bertram or THE as primary supplier, about £2 million of this is by retailers who use the other merging party as their secondary source.
7. A survey question was asked about diversion preferences if a primary supplier was unable to deliver a title. This suggested that 80 per cent of retailers using a wholesaler as primary supplier who indicated a diversion preference would switch to another wholesaler. A high proportion of respondents would, however, not try to switch the order at all, and there was some uncertainty around the way in which respondents had interpreted the question.
8. Availability of stock and speed of delivery were the most important factors in choosing a supplier. Speed was somewhat less important for those retailers using publishers as primary suppliers.

## Survey objectives

9. The objectives of the survey were to gather representative information and views on the following issues:

- (a) the extent to which books are purchased from different suppliers;
  - (b) perceived options for the switching of volume between these suppliers; and
  - (c) the importance of different factors in choosing a supplier.
10. A fourth proposed objective, to gather information about the extent and type of contact between retailers and book supplier representatives, was dropped from the scope of the research, in order to keep the length of the questionnaire manageable. However, the opportunity to ask a number of short questions on the use of book-ordering systems was taken.

## Sampling and methodology

11. The two measurable characteristics of book retailers that were controlled in the survey sampling were the estimated size of the business and its geographical region.
12. The population definition suggested in the initial research proposal was ‘the largest independent bookshop customers of the three main UK book wholesalers (THE, Bertram and Gardners)’. It was suggested to the CC by the parties that ‘all independent bookshops in the UK’ was a more appropriate scope for the population of interest. We agreed that it would be desirable to include both smaller bookshops and those bookshops purchasing a large proportion of their books from direct distributors or publishers in the consultation. Whilst we were not able to identify a comprehensive sample frame for all independent bookshops, which included a measure of their overall expenditure on books and that could be made available in time for the survey, we extended a sample frame based on Bertram, THE and Gardners de-duplicated customer records by appending to it a list of Booksellers Association (BA) members. The resulting sample frame and survey sampling scheme used is summarized in Table 1.

TABLE 1 **Survey sampling scheme**

<i>Group</i>	<i>Description</i>	<i>Count in sample frame</i>	<i>Sampled for survey</i>
1	Total wholesale spend £60,000 or more OR BA member with retail turnover £120,000 or more	536	250
2	Total wholesale spend £30,000–£60,000 OR BA member with retail turnover £60,000–£120,000	360	250
3	Total wholesale spend £10,000–£30,000	313	250
4	Total wholesale spend £1,000–£10,000	336	250
5	Total wholesale spend less than £1,000	1,167	1,000
	<b>Total</b>	<b>2,712</b>	<b>2,000</b>

13. The sampling unit used was a single bookshop retail location (identified by trading name and postcode).<sup>1</sup> The wholesale spends were estimated from adding together the 2006 expenditures reported by Bertram, THE and Gardners; the retail turnovers for BA members were estimated from turnover band information provided by the BA. A simple random sample was drawn from each sample group using the random number function in MS Excel.
14. A letter introducing the survey and a paper questionnaire were sent to each of the 2,000 retail outlets sampled. Respondents were given the choice of posting the questionnaire back to ORC International using a reply-paid envelope or entering their

<sup>1</sup>A total of 2,712 different postcode locations were identified from the sample lists available. There are estimated to be about 1,500 independent book retail businesses in the UK.

survey responses via an online version of the survey on the ORC International website. Respondents were assured that their views were confidential and would not be attributed to them. Telephone calls were made to non-responding retailers in the final week of the field period, encouraging them to complete and return a questionnaire.

## Quotas set and responses received

15. ORC International was contracted to achieve 30 responses in each of the four largest retailer groups, and set a 'best effort' target of 100 responses from the smallest group. The quotas for the four largest retailer groups were all exceeded, as shown in Table 2. The agency fell short of the 'best effort' target for the smallest retailer group by six responses.

TABLE 2 Survey responses received

Group	Description	Quota/ target	Responses
1	Total wholesale spend £60,000 or more OR BA member with retail turnover £120,000 or more	30	53
2	Total wholesale spend £30,000–£60,000 OR BA member with retail turnover £60,000–£120,000	30	39
3	Total wholesale spend £10,000–£30,000	30	36
4	Total wholesale spend £1,000–£10,000	30	53
5	Total wholesale spend less than £1,000	100	94
	<b>Total</b>	<b>220</b>	<b>275</b>

## Fieldwork report

16. The questionnaire was piloted in two independent bookshops in London on Wednesday 9 May. The survey fieldwork was carried out between Monday 14 and Wednesday 30 May 2007. Telephone follow-up activity was prioritized to ensure that the quotas set for larger independent retailers were met first.

## Representativeness of response by retailer size

17. The proportion of the retail locations from the sample frame in each of the five size bands is set alongside the corresponding proportion of the survey responses in Table 3. The proportions have been rounded to the nearest 1 per cent. Comparison of the two columns suggests that the survey response is broadly representative of the population of UK bookshops by size, with the views of the smallest bookshops being a little under-represented.

TABLE 3 Comparison of size distribution in UK independent bookshop sample frame and in survey response

Group	Description	Bookshop sample frame %	Survey response %
1	Total wholesale spend £60,000 or more OR BA member with retail turnover £120,000 or more	20	19
2	Total wholesale spend £30,000–£60,000 OR BA member with retail turnover £60,000–£120,000	13	14
3	Total wholesale spend £10,000–£30,000	12	13
4	Total wholesale spend £1,000–£10,000	12	19
5	Total wholesale spend less than £1,000	43	34

## **Representativeness of response by region**

18. The proportion of the BA member branches in each UK region<sup>2</sup> is set alongside the corresponding proportion of the survey responses in Table 4. The proportions have been rounded to the nearest 1 per cent. Comparison of the two columns suggests that the survey has secured responses broadly in proportion to the numbers of BA member branches in each region. The London region retailers are under-represented; the wider East, South-East and South-West regions are each somewhat over-represented.

TABLE 4 Comparison of regional distribution of BA member branches and in survey response

<i>Region</i>	<i>BA member branches %</i>	<i>Survey response %</i>
North-East	2	2
North-West	9	6
Yorkshire & The Humber	6	9
East Midlands	6	5
West Midlands	8	9
East of England	7	11
London	26	12
South-East	9	13
South-West	8	16
Wales	6	5
Scotland	9	8
Northern Ireland	3	2
Channel Islands/Isle of Man	0	0

## **Other fieldwork issues**

19. During the fieldwork period the CC received feedback via the BA that one of their members had received two questionnaires at the same address. On investigation, it was found that 92 duplicate addresses existed in the questionnaire mailing list, due to an error in the sample preparation. ORC International flagged all of these duplicates, to ensure that only one response was accepted from each. The agency did not note any evidence of attempts to submit multiple responses.
20. A further cause of concern was notified to us by the main parties. The customer lists provided by Bertram and THE included unique customer numbers that were used by ORC International to identify each questionnaire. After the survey was in field, we were informed that the customer number could be used to gain access to the Bertline or THEsis online ordering systems, and some customers had contacted the main parties to state that they did not intend to respond to the survey for fear that their security might thus be compromised.
21. Finally, ORC International received a small number of telephone calls from wholesalers and other organizations who are not involved in the retail sale of books, asking whether they should respond. They were requested not to send a questionnaire back and their sample records were marked accordingly. One test record was also excluded from the available sample.
22. Overall, the effect of each of these issues will have been to reduce the volume of sample willing and able to send a response. It is unlikely, however, that any

<sup>2</sup>Source: Bookfacts Online, Table 3.5 Bookshop Locations by Region, 2002 (most recent update available).

systematic selection bias has been introduced into the responses that have been received.

### **Respondent profile**

23. This section of the report describes the composition of the sample of book retailers that responded to the survey.

### **Primary book supplier**

24. For each responding retailer, the primary book supplier was defined as the source from which the greatest value of books was purchased in 2006. The number of respondents for each primary book supplier is shown in Table 5.

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25. Fewer responses were received from Gardners than might have been expected from its market share. This may have reflected a lower degree of interest in the merger inquiry on the part of its customers.
26. The 'Other wholesalers' noted by respondents include Bookspeed, Send the Light (religious books), Marston and The Stationery Office. The only 'Other source' given by more than one respondent was Amazon.

### **Retailer size by primary book supplier**

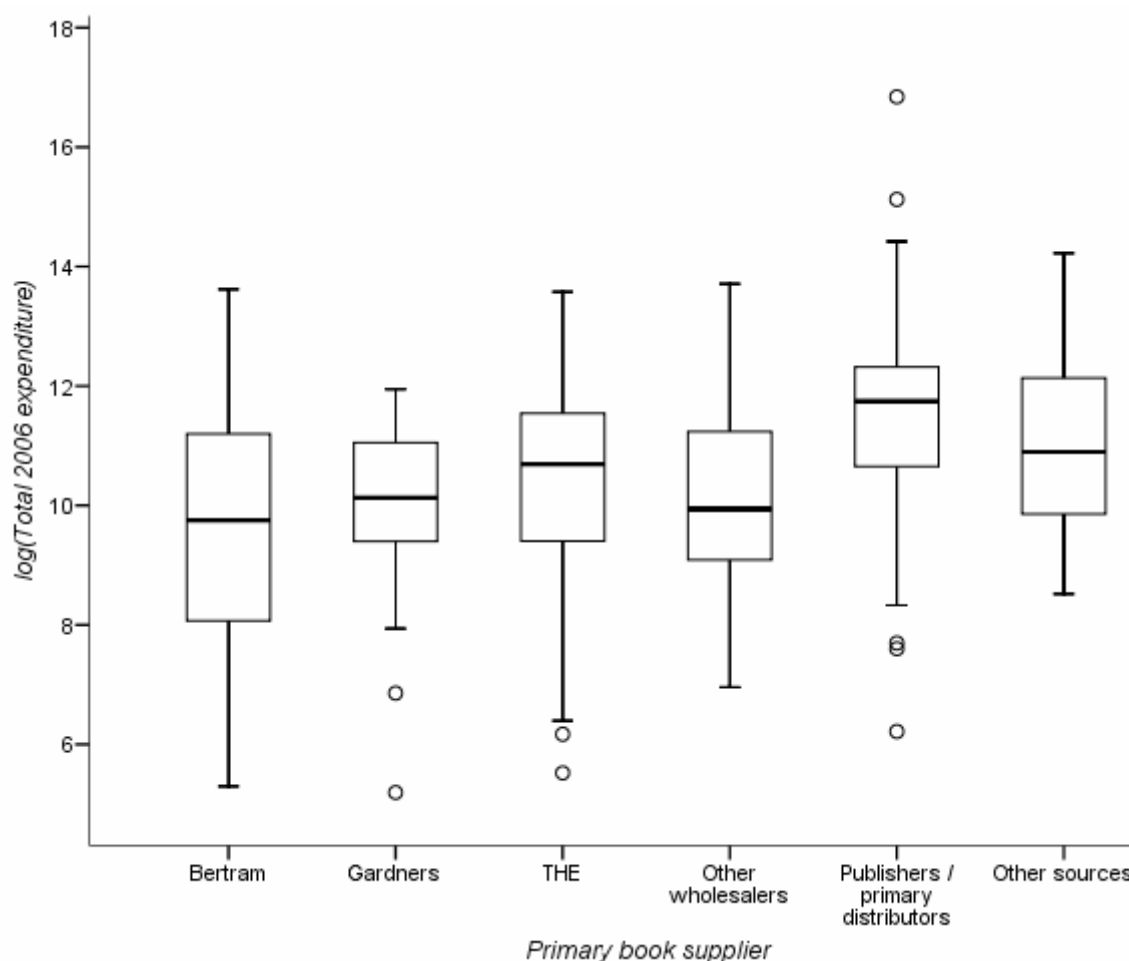
27. In order to get an overall sense of the size of the different responding retailers, a box plot of *total* expenditure by the retailer (*not* just that with the primary supplier) is shown in Figure 1. In fact, *natural logarithms* of the total expenditure figures have been presented, in order that all of the responses may be shown on a single plot<sup>3</sup> and to facilitate direct comparison of the average logarithms of expenditures across different primary supplier groups.

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<sup>3</sup>The use of a natural logarithm expenditure scale means that a difference in one scale point implies that the higher expenditure is about three times (2.72) as great as the lower expenditure.

FIGURE 1

**Logarithm of total 2006 expenditure by primary supplier—box plot**



28. Within each box in Figure 1, the thick horizontal line indicates the median log total expenditure for the respondents in that group. The top and bottom edges of the box indicate the upper and lower quartiles respectively, and the circles are outlying individual responses. The chart is based upon the numbers of respondents given in Table 5.
29. In summary, the chart gives the overall impression that the survey has received responses from a range of smaller retailers who use Bertram, Gardners or other wholesalers as their primary supplier; from rather larger retailers who use THE or other sources; and from some very large retailers who source their books primarily direct from publishers.

**Subject areas covered and number of titles in stock**

30. Respondents were asked to select up to five subject classifications that were of most commercial importance to their businesses, from a list of 16. A mixture of statistical analysis<sup>4</sup> and manual inspection was used to assign each responding retailer to one of three main subject area categories for further analysis. These are:

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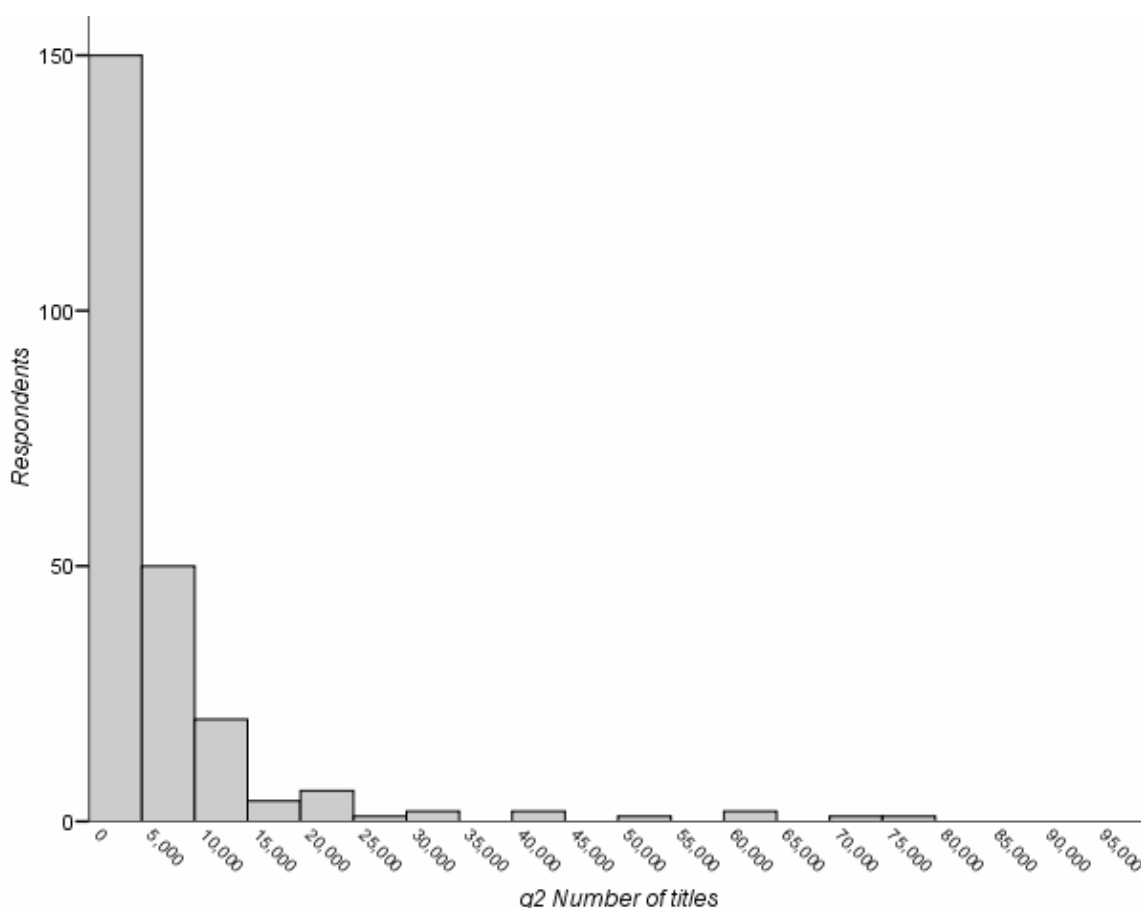
<sup>4</sup>Principal components analysis showed that four broad categories could be derived from the 16 classifications. Manual inspection was used to refine these further.

- (a) predominantly leisure (133 responses);
- (b) predominantly professional, academic and arts (51 responses); and
- (c) no predominant subject area (91 responses).

31. Respondents were also asked to note the average number of titles in stock. The distribution of the responses is summarized in Figure 2.

FIGURE 2

**Number of titles in stock—histogram**



32. The chart shows that, of the 275 responding retailers, 150 have 5,000 titles in stock or less, the next 50 have between 5,000 and 10,000 titles in stock, and the remaining 75 have more than this. Four large retailers reporting more than 100,000 titles in stock have been omitted from Figure 2 for clarity of presentation.

**Retail location types**

33. Respondents were asked to indicate the type of retail location in which their businesses were based. A number of them selected more than one type from the list but, on inspection, it was possible to assign most responses to a single, primary location type for analysis. The results of this assignment are shown in Table 6.

TABLE 6 **Retail location type**

<i>Location type</i>	<i>Respondents</i>
City or town centre	97
Urban (incl out-of-town retail park)	14
Neighbourhood or estate (local shop)	20
Rural (villages)	40
University or college campus	10
Tourist destination	52
Other	36
Not stated	6
<b>Total</b>	<b>275</b>

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34. No responses were received from independent retailers based in travel terminals or transport service areas—these locations might anyway be expected to be occupied by chain booksellers.

### ***Summary of profile review***

35. Overall, it can be seen that the survey has secured responses from bookshops that purchase from wholesalers and primary distributors, with a range of different book purchase expenditures, and of a variety of different types by both subject material stocked and retail location. These categories will be used to inform the analysis of the survey's main behaviour and attitude questions that follows.

### **Survey results**

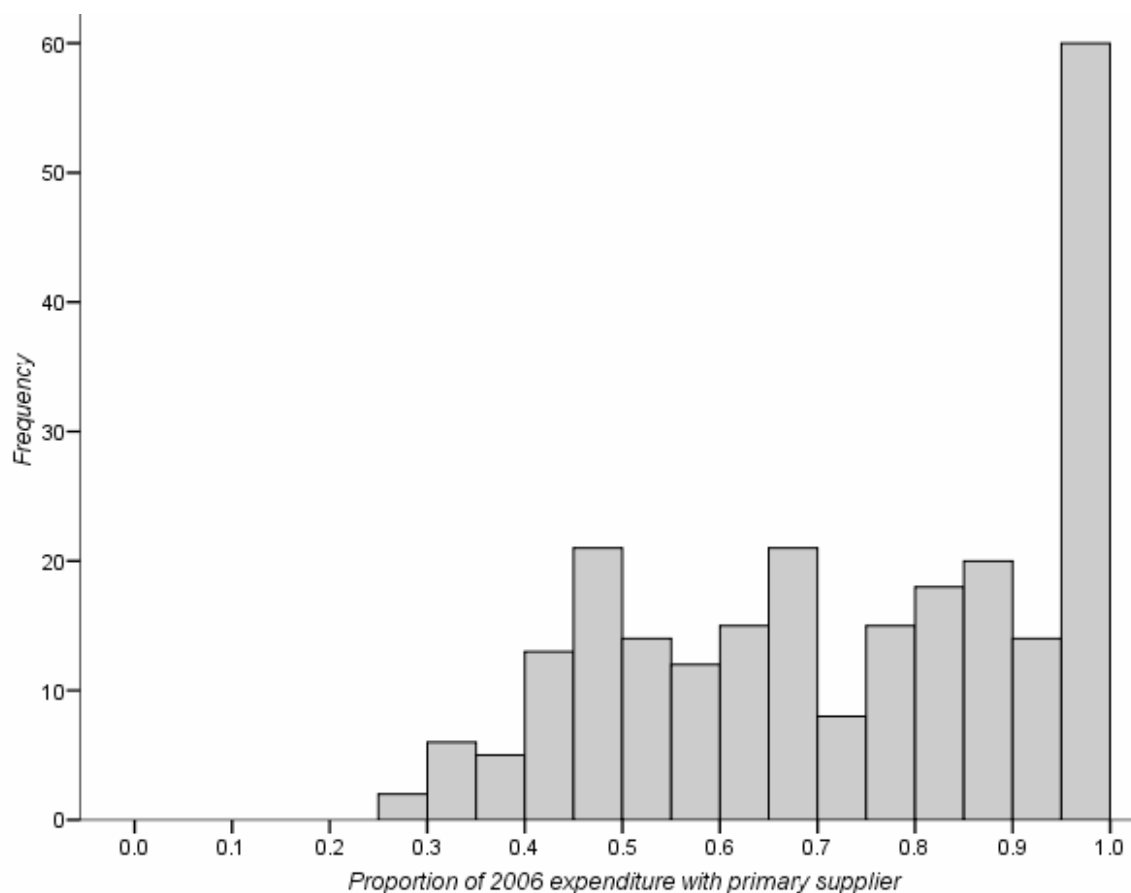
36. Three main issues were probed by the survey questionnaire. First, retailers were asked for measures of their expenditure on books with different suppliers in 2006 and 2005, to gain an impression of the extent of multi-sourcing and switching between suppliers. Then respondents were asked about their primary diversion option, should their primary book supplier not be able to deliver a title they needed in response to a customer request. Finally, the factors that are most important to retailers in choosing a supplier for regular stock titles and customer order fulfilment were investigated.
37. The information on these three issues available from the survey is presented below.

### ***Extent of multi-sourcing***

38. The measure of multi-sourcing for each retailer used for this analysis was the proportion of total 2006 expenditure that was spent with the retailer's primary supplier. For example, if a retailer spent £10,000 on books, £7,000 of it with THE and the rest with direct distributors, the proportion would be 0.70. This proportion was calculated for each of the 244 retailers who provided 2006 expenditure details, and a histogram of the results is shown in Figure 3.

FIGURE 3

**Proportion of 2006 expenditure with primary supplier—histogram**

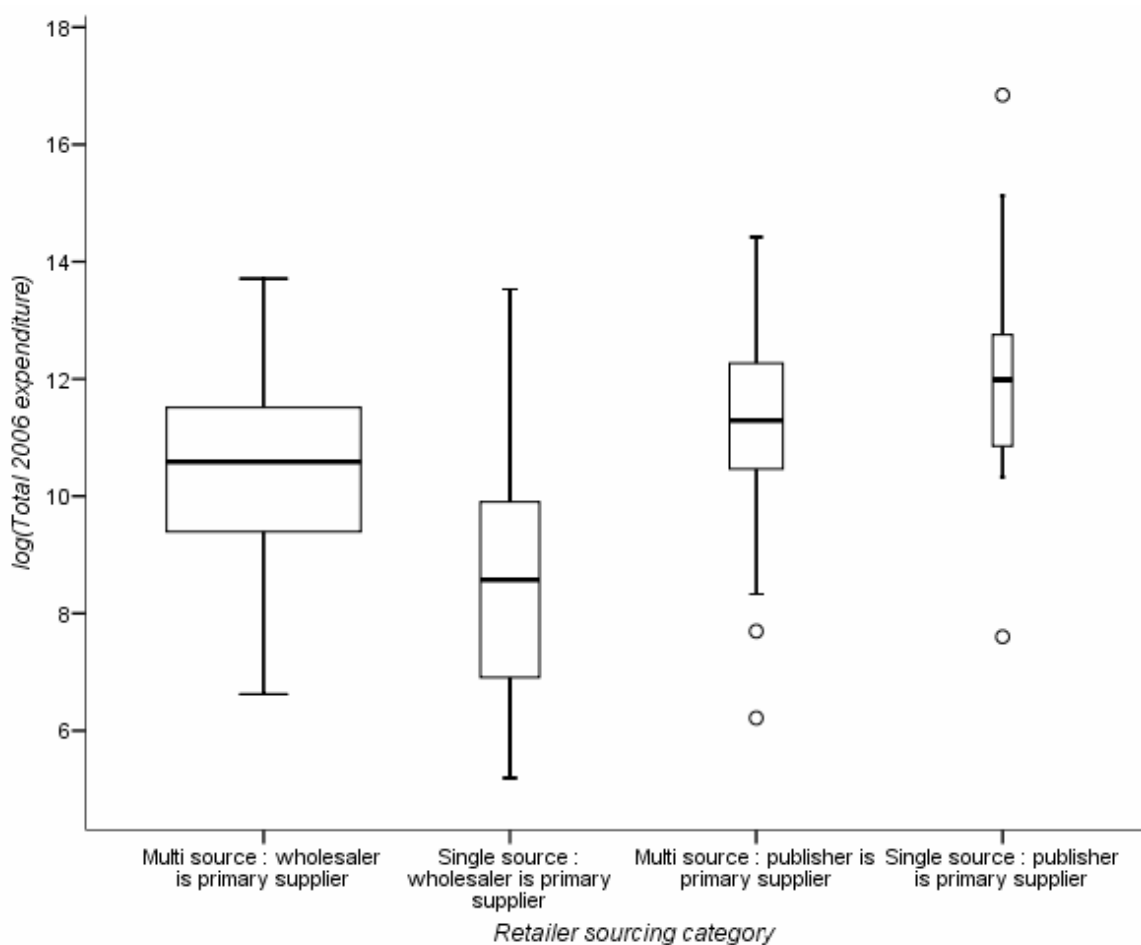


39. The largest bar, on the right of the histogram, indicates that 60 respondents out of 244 (25 per cent) spent 95 per cent or more of their 2006 expenditure with a single primary supplier.
40. As previously set out in Table 5, the primary suppliers listed on the questionnaire were: Bertram; Gardners; THE; Other wholesalers; Publishers/primary distributors; and Other sources. It should therefore be remembered that, for the purposes of this analysis, a retailer who split their purchases among several different publishers would be regarded as having a single primary supplier.
41. It was of interest whether the extent of multi-sourcing varied between different types of retailer. To investigate this, those 60 retailers spending 95 per cent or more of their 2006 expenditure with a single primary supplier as defined above were regarded as 'single-sourcing'. The remaining 184 retailers, who had placed at least 5 per cent of their expenditure with one or more secondary suppliers, were regarded as 'multi-sourcing'.
42. Analysis of the survey responses showed that there was no significant association between primary wholesale supplier and multi-sourcing. For example, Bertram primary customers were just as likely to multi-source as Gardners primary customers. In the same way, retail location type had little association with the likelihood of multi-sourcing and book retailers who predominantly stocked leisure titles were no more or less likely to multi-source than those stocking professional, academic and arts titles.

43. A comparison of the expenditure between multi-sourcing and single-sourcing retailers is shown in Figure 4. Once again, for the technical and presentational reasons noted previously around Figure 1, natural logarithms of the 2006 expenditure values have been plotted, thus the mean<sup>5</sup> 2006 expenditure for the 'Multi source: wholesaler is primary supplier' category is about £30,500; the mean for the 'Single source: wholesaler is primary supplier' category is about £5,000. The differences between these sample means is statistically significant at the 95 per cent confidence level.
44. In Figure 4, the number of respondents in each of the four categories compared has also been indicated by the width of the box plotted. The chart is based on responses from 138 multi-source wholesaler; 42 single source wholesaler; 38 multi-source publisher; and 14 single source publisher primary supplier respondents.

FIGURE 4

**Logarithm of total 2006 expenditure by multi-sourcing—scaled box plot**



45. Figure 4 may be interpreted as indicating a broad overall pattern as follows:
- (a) The largest retailers are most likely to use publishers as their primary suppliers.
  - (b) Medium-size retailers tend to multi-source, using a wholesaler as their primary supplier.

<sup>5</sup>The horizontal bars in the Figure 4 box plot represent medians, but as the logarithm distributions are broadly symmetrical, there is little difference between the means and medians.

(c) The smallest retailers tend to single-source from one wholesaler as their primary supplier.

46. Those retailers who have a wholesaler as primary supplier and who multi-source (the large, medium size group on the left hand side of the box plot in Figure 4) are of particular interest in the merger inquiry. Table 7 is based on just this group, and shows the relationship between the primary and secondary suppliers. The results have been weighted by total 2006 expenditure, to give an idea of the amount of book purchase business involved.

TABLE 7 Primary and secondary suppliers—all multi-sourcing retailers with a wholesaler primary supplier

Secondary supplier	Primary supplier (£)			Total
	Bertram or THE	Gardners	Other wholesalers	
Bertram or THE	2,150,700	724,300	1,181,700	<b>4,056,700</b>
Gardners	2,219,800	-	140,000	<b>2,359,800</b>
Other wholesalers	479,500	274,000	-	<b>753,500</b>
Publishers/primary distributors	2,611,200	385,100	953,100	<b>3,949,300</b>
Other sources	391,500	44,800	21,200	<b>457,400</b>
<b>Total</b>	<b>7,852,700</b>	<b>1,428,200</b>	<b>2,296,000</b>	<b>11,576,800</b>

Note: Results weighted by total expenditure in 2006.

47. Table 7 shows that, of the £7.85 million book purchase expenditure by the multi-sourcing group of respondents who have Bertram or THE as primary supplier, £2.15 million is by retailers who use the other merging party as secondary supplier (27 per cent).

### **Extent of switching**

48. Preliminary analysis of the value switched between suppliers from 2005 to 2006 raised questions about the accuracy of some of the 2005 expenditure estimates provided and it was not possible to resolve these with the market research agency or respondents without compromising the confidentiality of the respondents. An analysis of switching from the survey data has therefore not been pursued.

### **Primary diversion options**

49. The question used to identify the primary diversion option for each retailer was: 'If the source you used in 2006 for the greatest share of your book purchases by value (your "main supplier") could not deliver a copy of a particular title by when your customer needed it (perhaps because it was temporarily out of stock), what would you do first? Please tick ONE ONLY.'
50. The counts of those responses from retailers who answered the question, and gave 2006 expenditure figures allowing their main supplier to be identified (229 responses), are set out in Table 8.

TABLE 8 Primary diversion option by main supplier—survey responses

Diversion to:	Main supplier						Total
	Bertram	Gardners	THE	Other wholesaler	Publishers	Other sources	
Bertram	4	7	13	8	14	2	48
Gardners	29	4	5	3	9	0	50
THE	3	3	0	0	4	1	11
Another wholesaler	5	2	0	1	0	0	8
Publisher or primary distributor	7	5	3	6	10	2	33
Another source	5	1	0	1	0	1	8
Wait for main supplier	20	11	8	7	5	0	51
Cancel the order	2	0	3	1	2	1	9
Something else	0	1	1	1	5	3	11
<b>Total</b>	<b>75</b>	<b>34</b>	<b>33</b>	<b>28</b>	<b>49</b>	<b>10</b>	<b>229</b>

51. The individual counts are not easy to interpret. A total of 60 respondents out of 229 (26 per cent) would not switch to a diversion option at all, preferring either to wait for their main supplier (however long this might take) or cancel the order. However, about half of these had previously indicated in the survey that they had purchased from multiple supplier sources in 2006. There are also some responses on the ‘main diagonal’ of the table, implying that the respondent may have misunderstood the question. For example, four Bertram primary customers indicated that, if Bertram could not deliver a title, they would turn to ... Bertram.

52. For quantitative analysis purposes, the responses indicating a diversion option were collected into four groups, identified in Table 8 by thin black borders. The top left box (79 respondents, excluding the 8 stating that they would switch to their existing primary supplier) may be regarded as mainly wholesaler customers who would seek to divert to another wholesaler. Top right (27 respondents) are publisher customers who would divert to a wholesaler. Bottom left (21 respondents) are wholesaler customers who would divert to a publisher. Bottom right (10 respondents) have also been excluded—if a specific title is out of stock with its publisher, turning to another publisher for the same title is not a realistic option.<sup>6</sup> The results of this regrouping are shown in Table 9.

TABLE 9 Primary diversion option by main supplier—consolidated switcher categories

Diversion to:	Main supplier	
	Wholesaler	Publisher
Wholesaler	79	27
Publisher	21	0
<b>Total</b>	<b>100</b>	<b>27</b>

53. Table 9 might be interpreted as giving some general indication of diversion preference, in the following sense. Of 100 respondents who use a wholesaler as their primary book supplier and would seek an alternative supplier for an out-of-stock title, 79 of them would try another wholesaler and 21 of them would try the publisher direct.

<sup>6</sup>Those respondents indicating that they would switch from Bertram to Bertram, Gardners to Gardners or the publisher to another publisher might perhaps best be treated as indicating an intention to ‘wait for main supplier’. Excluding them from the diversion ratio analysis seems the appropriate course.

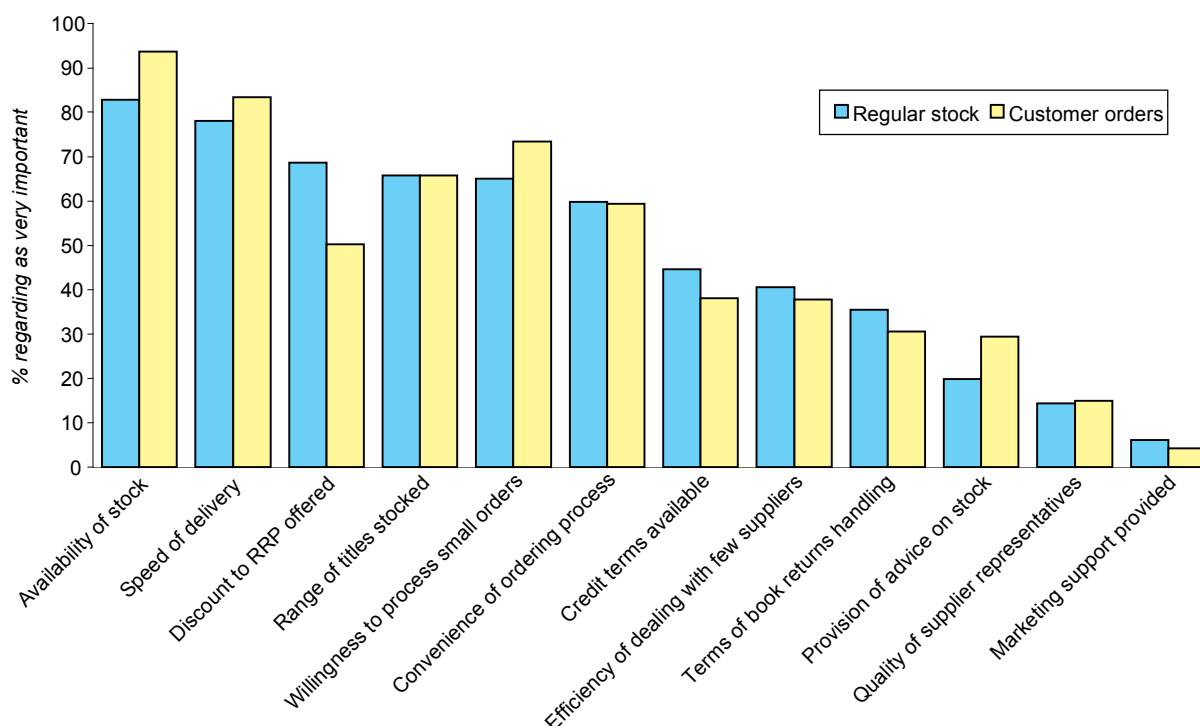
54. If the counts in Table 9 are weighted by total 2006 expenditure, to gain an approximate<sup>7</sup> measure of the proportion of expenditure that might be diverted, of about £9.8 million expenditure with wholesalers, £8.4 million would be diverted to another wholesaler (85 per cent) and £1.5 million to the publisher (15 per cent), ie similar percentages to those based on number of retailers.
55. Overall, however, given the inconsistencies and uncertainties in the pattern of response to the survey question, this analysis of diversion preferences cannot be regarded as very reliable.

### **Factors driving choice of book supplier**

56. The survey asked respondents to give an importance rating to each of 12 factors that might affect their choice of the book supplier to use for a particular order. One set of ratings were gathered in respect of ordering regular stock titles, a second set in respect of fulfilling a bookshop customer order.
57. The importance ratings offered were Very important, Somewhat important, and Unimportant, and the analysis of results proceeded by calculating the percentage of respondents for each factor that rated it Very important. The results are summarized in Figure 5.

FIGURE 5

**Percentage of respondents answering who rated a factor Very important—clustered bar chart**



58. The number of retailers answering varied from factor to factor. The highest base was 250 retailers rating the importance of Availability of stock in ordering regular stock

<sup>7</sup>This is a rough approximation only—a more accurate calculation would weight each response with the 2006 expenditure by the respondent's primary supplier.

titles; the lowest was 187 rating the importance of Quality of supplier representatives in fulfilling customer orders.

59. Figure 5 shows that Availability of stock and Speed of delivery are regarded as the most important factors in choosing a supplier, for both types of order. Discount to Recommended Retail Price (RRP) is more important in choosing a supplier for regular stocking than for fulfilling a bookshop customer order. Conversely (and perhaps unsurprisingly), Willingness to process small orders is more important in choosing a supplier for fulfilling a bookshop customer order than for regular stocking.
60. The importance ratings were also reviewed for material differences by customer's primary supplier, retail setting and book purchase value in 2006.
61. The ratings for importance of factors relating to regular stock title ordering showed that, on average, book retailers whose primary supplier was a publisher attach less importance to the convenience of the ordering process, the efficiency inherent in dealing with few suppliers, range of titles, speed of delivery and the terms for book returns handling.
62. For example, whilst Speed of delivery is the second most important factor in the overall survey response (with 78 per cent of respondents rating it Very important) this overall proportion includes 69 per cent of publisher customers compared with 81 per cent of Bertram, 82 per cent of Gardners and 87 per cent of THE customers.<sup>8</sup>
63. Retailers using Gardners as their primary supplier rated the importance of Provision of advice on stock more highly than customers of any of the other suppliers.
64. The effect of retailer size is seen most strongly in the views on Willingness to process small orders. 83 per cent of the retailers with total expenditure on books in 2006 of less than £1,000 rated this Very important, compared with only 44 per cent of those with expenditure over £65,000.<sup>9</sup>
65. There were few material differences in importance ratings between the different respondent groups when it came to fulfilling a bookshop customer order. The overall results in Figure 5 are a good guide for all respondent groups. The largest difference was in the rating of the importance of Provision of advice on stock: 43 per cent of the Gardners primary customers responding to this question rated it Very important; only 7 per cent of the THE primary customers responding did so.<sup>10</sup>

### ***Other issues probed in the survey***

66. At the overall level, 40 per cent of respondents received marketing support from a supplier, but only 18 per cent received retrospective discounts. The majority (63 per cent) pay a surcharge or receive a lower discount on small book orders.
67. The main channel for ordering books, by a wide margin, was online ordering, with 45 per cent of respondents citing this as their most frequently used method. Large retailers appear more likely to use this method than small ones. The second most

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<sup>8</sup>Based on 49 publisher primary customer and 75 Bertram, 34 Gardners and 30 THE primary customer respondents. Statistically, this difference is only large enough to provide weak evidence of a difference in views between the publisher and combined wholesaler respondent views. However, the fact that customers of *each* of the three wholesalers rate the importance of the factor at a higher level than customers of the publishers is also suggestive of a genuine underlying difference.

<sup>9</sup>A statistically significant difference at the 1 per cent confidence level.

<sup>10</sup>Based on 28 Gardners primary customers and 27 THE primary customers. Almost certainly a statistically significant difference at the 1 per cent confidence level.

frequently used method was telephone ordering, with small retailers more likely to prefer this method.

### **Summary of free text comments received**

68. An opportunity to make free comments on the effectiveness of competition to supply books was given at the end of the questionnaire.
69. Nine comments mentioned the problems that minimum order sizes and small order surcharges create for small independent retailers, and five complained about problems with the book delivery service provided by courier DHL.
70. Other comments mentioned by more than one respondent related to: the need for independent book retailers to focus on academic and specialist books to differentiate themselves from the chains and supermarkets; the small stock range available from THE; and the importance of delivery speed in response to customer orders in differentiating the independent bookshop offer.

Recipient's name

[Date]

Company name

Building name/number

Sample ID

Street name

Town

County/Country

Postcode

Dear Sir/Madam

In February of this year, Bertram Books was taken over by Entertainment UK Limited, a subsidiary of Woolworths Group. This reduced the number of large wholesale book supply businesses in the UK from three to two. The Competition Commission (CC) is now conducting an urgent inquiry into whether this may lead to a substantial lessening of competition, including in the supply of books to independent book retailers.

ORC International has been contracted by the CC to collect some simple book purchase information and opinions on the market for book supply. The short questionnaire with this letter is being sent to a carefully-designed representative sample of 2,000 independent book retailers. It is important that you complete and return it by the due date. **The CC is interested in the views of all those contacted, even if you do not expect to be significantly affected by the takeover.** All responses will be treated in confidence, and not attributed to you.

We would be grateful if you would send your response by Friday 25 May. The questionnaire can also be completed online and we would appreciate it if you would use this method if possible. To do so, please go to **www.orc.co.uk** from xx May onwards and enter the password shown below:

**Password:**

Alternatively, please complete the enclosed printed questionnaire and return it in the reply-paid envelope provided. If you would like to be emailed an electronic version of the questionnaire in Microsoft Word, please email [chris.dowsett@orc.co.uk](mailto:chris.dowsett@orc.co.uk) and a copy will be emailed to you.

If you have any queries about the survey, please contact ORC International as shown at the end of the questionnaire.

The information that you provide will form an important part of the CC's considerations in this particular inquiry. Thank you for your assistance.

Yours faithfully

A handwritten signature in black ink, appearing to read "Tony Gooch". The signature is fluid and cursive, with the first name "Tony" written in a simple, slightly slanted script, and the last name "Gooch" written in a more elaborate, cursive style with a large, looping 'G'.

Tony Gooch  
*Inquiry Secretary*

**Woolworths/Bertram merger inquiry  
Customer questionnaire**

**HOW TO COMPLETE THE QUESTIONNAIRE**

**If possible, please complete the survey online by going to [www.orc.co.uk](http://www.orc.co.uk) and entering the password provided in the covering letter. Alternatively please return the questionnaire to ORC International in the reply paid envelope provided. We would appreciate it if you would return it as soon as possible, and no later than Friday 25 May.**

**Please tick the relevant box or write in your answer, where appropriate, in the space provided. Please answer all questions unless otherwise specified.**

Sample ID

Company name

Address

Is this the correct name and address?      Yes    1      No    2

**If no**, please write in the correct trading name and address below \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Please write in your name: \_\_\_\_\_

Please write in your position: \_\_\_\_\_

Please write in your contact phone no: \_\_\_\_\_

1. Please tick up to 5 book subject classifications that describe the books that are of most commercial importance in your business. By “most commercial importance” we mean account for the most turnover.

Please tick a maximum of 5

Academic	<input type="checkbox"/>	1
Arts	<input type="checkbox"/>	2
Biography	<input type="checkbox"/>	3
Children's	<input type="checkbox"/>	4
Computing	<input type="checkbox"/>	5
Economics/ Business/ Finance	<input type="checkbox"/>	6
Family/ Home/ Gardening	<input type="checkbox"/>	7
Fiction	<input type="checkbox"/>	8
Foreign languages	<input type="checkbox"/>	9
Humanities	<input type="checkbox"/>	10
Literature	<input type="checkbox"/>	11
Professional	<input type="checkbox"/>	12
Religious books	<input type="checkbox"/>	13
Scientific and mathematical textbooks	<input type="checkbox"/>	14
Social sciences	<input type="checkbox"/>	15
Sports/ Travel/ Leisure	<input type="checkbox"/>	16
Other (please specify) _____	<input type="checkbox"/>	49

2. How many different titles (approximately) do you have in stock at any one time?

Please use leading zeros. For example: If you have 4000 titles in stock you would write

**Number of titles**

0	0	4	0	0	0
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Please write in number of titles

**Number of titles**

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3. In what type of retail location is your shop based?

*Please answer about the single retail outlet at the address on the front page*

*Please tick all that apply (for example if the location is a town centre that is also a tourist location)*

City or town centre (including shopping centres)	<input type="checkbox"/>	1
Urban (out of town retail parks, secondary shopping areas)	<input type="checkbox"/>	2
Neighbourhood or estate (local shops)	<input type="checkbox"/>	3
Rural (villages)	<input type="checkbox"/>	4
Travel terminus (e.g. airports, railway stations)	<input type="checkbox"/>	5
Motorway service area	<input type="checkbox"/>	6
University or college campus	<input type="checkbox"/>	7
Tourist destination (e.g. seaside town, theme park)	<input type="checkbox"/>	8
Other (please specify) _____	<input type="checkbox"/>	49

4. Please itemise your total expenditure on books for retail sale in calendar year **2006** for each of the following sources. Please use your accounts figures or give an estimate if these are not available, ticking the relevant box to indicate the source.

***If 2006 figures are not available, please give those for the most recent financial year***

***Please give figures in £ based on cost price, not Recommended Retail Price***

*Please answer about the single retail outlet at the address on the front page*

*Please round to the nearest whole £: do not include pence*

*Please exclude VAT on audio books*

*Please exclude any used books*

	<b>2006 Expenditure (£)</b>	<b>Expenditure from accounts</b>	<b>Estimate</b>
	<i>Please use leading zeros</i>	<i>Please tick one:</i>	
Bertram	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Gardners	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Total Home Entertainment (THE)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Other wholesalers (please write in)			
(1) _____	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
(2) _____	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Direct supply by publishers/ primary distributors	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Other sources not included above (please write in)			
_____	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2

*Please ensure that the figures add up to your total 2006 or most recent financial year expenditure*

**5.** If your total expenditure on books for retail sale in calendar year **2005** was **£10,000 or more**, please itemise it by source for **2005** also. Please use your accounts figures or give an estimate if these are not available, ticking the relevant box to indicate the source.

*If you gave figures for any period other than 2006 at Question 4, please provide figures for the preceding period here.*

*Please give figures in £ based on cost price, not Recommended Retail Price*

*Please answer about the single retail outlet at the address on the front page*

*Please round to the nearest whole £: do not include pence*

*Please exclude VAT on audio books*

*Please exclude any used books*

	<b>2005 Expenditure (£)</b>	<b>Expenditure from accounts</b>	<b>Estimate</b>
	<i>Please use leading zeros</i>	<i>Please tick one:</i>	
Bertram	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Gardners	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Total Home Entertainment (THE)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Other wholesalers (please write in)			
(1) _____	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
(2) _____	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Direct supply by publishers/ primary distributors	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2
Other sources not included above (please write in)			
_____	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> 1	<input type="checkbox"/> 2

*Please ensure that the figures add up to your total 2005 or equivalent financial year expenditure*

6. If the source you used in **2006** for the greatest share of your book purchases by value (your "main supplier") could not deliver a copy of a particular title by when your customer needed it (perhaps because it was temporarily out of stock), what would you do first?

*Please tick ONE ONLY*

Try Bertram	<input type="checkbox"/>	1
Try Gardners	<input type="checkbox"/>	2
Try Total Home Entertainment (THE)	<input type="checkbox"/>	3
Try another wholesaler (please specify) _____	<input type="checkbox"/>	4
Try the publisher or primary distributor direct	<input type="checkbox"/>	5
Try another source (please specify) _____	<input type="checkbox"/>	6
Wait for my main supplier (and advise the customer of a delay)	<input type="checkbox"/>	7
Cancel the order	<input type="checkbox"/>	8
Something else (please specify) _____	<input type="checkbox"/>	49
Don't know	<input type="checkbox"/>	50

7. When you are deciding which source to use for a **regular stock title** (e.g. by an established novelist such as Jane Austen), how important, if at all, is each of the following in making your choice?

*Please tick one box per row*

	Very important	Somewhat important	Unimportant	Not applicable
Availability of stock	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Convenience of ordering process	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Credit terms available	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Discount to Recommended Retail Price offered	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Efficiency of dealing with a small number of suppliers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Marketing support provided	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Provision of advice on stock	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Quality of supplier representatives	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Range of titles stocked	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Speed of delivery	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Terms of book returns handling	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Willingness to process small orders	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

8. When you are deciding which source to use for a **customer order title** (e.g. an academic text book), how important, if at all, is each of the following in making your choice?

*Please tick one box per row*

	Very important	Somewhat important	Unimportant	Not applicable
Availability of stock	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Convenience of ordering process	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Credit terms available	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Discount to Recommended Retail Price offered	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Efficiency of dealing with a small number of suppliers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Marketing support provided	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Provision of advice on stock	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Quality of supplier representatives	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Range of titles stocked	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Speed of delivery	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Terms of book returns handling	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Willingness to process small orders	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

9. Do you receive marketing support payments or free marketing materials from any book supplier?

*Please tick ONE ONLY*

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2
Don't know	<input type="checkbox"/>	50

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10. Do you receive 'retrospective discounts' (i.e. a partial re-payment or credit relating to previous purchases) for achieving book sales targets agreed with any book supplier?

*Please tick ONE ONLY*

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2
Don't know	<input type="checkbox"/>	50

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11. Do you pay a surcharge or receive a lower discount on small orders from any book supplier?

*Please tick ONE ONLY*

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2
Don't know	<input type="checkbox"/>	50

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12. Please rank the frequency with which you use the following methods for book ordering.

*In the rank column, please write in a number for each method where 1 is the most frequently used method, 2 the next most frequently used method etc.*

*If you do not use a method stated, then write N/A in the box.*

	Rank
Electronic (online) ordering	<input type="text"/>
E-mail	<input type="text"/>
Fax	<input type="text"/>
Phone	<input type="text"/>
Other (please specify) _____	<input type="text"/>

13. Which, if any, of the following electronic ordering / stock management systems do you use?

*Please tick all that apply*

Bertline (from Bertram)	<input type="checkbox"/>	1
Bestseller	<input type="checkbox"/>	2
Book Partnership	<input type="checkbox"/>	3
BookMaster	<input type="checkbox"/>	4
Booksolve	<input type="checkbox"/>	5
Bookthrift	<input type="checkbox"/>	6
Gardlink (from Gardners)	<input type="checkbox"/>	7
PubEasy (from Bowker)	<input type="checkbox"/>	8
Rootkin & AE Data	<input type="checkbox"/>	9
Teleordering (from Nielsen)	<input type="checkbox"/>	10
THEsis (from THE)	<input type="checkbox"/>	11
Other (please specify) _____	<input type="checkbox"/>	49

14. How easy or difficult is it to order books from one supplier using electronic ordering software provided by a different supplier?

*Please tick ONE ONLY*

Very easy	<input type="checkbox"/>	1
Fairly easy	<input type="checkbox"/>	2
Neither easy nor difficult	<input type="checkbox"/>	3
Fairly difficult	<input type="checkbox"/>	4
Very difficult	<input type="checkbox"/>	5
Not applicable/do not use electronic ordering software	<input type="checkbox"/>	48
Don't know	<input type="checkbox"/>	50

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15. Please provide any other comments you wish on the effectiveness of competition to supply books to your business.

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**Return details**

**Thank you very much for your assistance.**

**Please send your completed questionnaire to ORC International in the envelope provided, or by email.**

**Please see the front page for instructions for completing online.**

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